STRENGTHENING THE SAFETY NET

A FINANCIAL ANALYSIS OF NEW HAMPSHIRE'S COMMUNITY HEALTH CENTERS

Coos County Family Health Services




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AHRQ
User Liaison Program

Coos County Family Health Services, Inc.
Financial Analysis 1994-1999

Summary

Coos County Family Health Services has experienced consistently positive operating and total margins during the years 1994-1999. The majority of cash sources for the organization came from operations and was used for property, plant and equipment (PP&E) purchases. Although collections of accounts receivables are slow, the payment of short-term obligations is among the best of the CHCs. As total liabilities increase at a much higher rate than net assets, cash flow to total debt and the equity-financing ratio are below the CHC medians.

Cash Flows

58.5% of Coos County's cash came from depreciation (34.0%) and net income (24.5%). Although 17% of the organization's cash was from increases in accounts payable and accrued expenses, this occurred primarily because the Center had a high rate of growth. Investment in property, plant and equipment (PP&E) consumed 59% of cash generated over the period. Most of the remainder of the cash was used to finance an increase in accounts receivable (37.9%).

Profitability

Both Coos' operating and total margins have been steady for the years 1996-1999, at 2%. Net patient service revenue has increased as a percent of total operating expenses during the period, from 25% to 45%. Coos depends less on grants and contracts in 1999 than they did in previous years, as the percent of this revenue source to operating expenses has decreased from 89% in 1993 to 53% in 1999.

Liquidity

Even though a significant portion of Coos' cash has been drained from a slowdown in collection of accounts receivable, Coos is one of the fastest of the CHCs in paying off accounts payable and accrued expenses. Days in accounts receivable and the average pay period in 1999 were 127 and 26 days, respectively. Coos current ratio was erratic during the period and days cash on hand has declined due, in part, to the slow collection of receivables.

Solvency

As Coos has issued a significant amount of debt during the period (including over $1 million in 1999)[1], the organization's liabilities have increased at a faster rate than its net assets. Thus, Coos' equity financing ratio has declined from 45% in 1996 to 24% in 1999, and the organization's cash flow to total debt declined from 50% in 1993 to 7% in 1999.

Source: Audited Financial Statements. Prepared by Jennifer Scott, Paul Giaudrone, and Hyun Ryu under the supervision of Nancy Kane, DBA, Harvard School of Public Health.

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[1] Coos County Family Health Services sought and secured capital financing for facility expansion.